

THE UNITED STATES BANKRUPTCY COURT
FOR THE DISTRICT OF DELAWARE

In re: : Chapter 11
W. R. GRACE & CO., *et al.*, : Case No. 01-01139 (JKF)
Debtors. : (Jointly Administered)

EXPERT REPORT OF PAMELA D. ZILLY REGARDING THE BEST INTERESTS TEST

1. I am a Senior Managing Director of The Blackstone Group L.P. ("Blackstone"), a financial advisory and investment firm that maintains offices at 345 Park Avenue, New York, New York 10154. Blackstone provides financial advisory services to W. R. Grace & Co., et al., ("Grace") pursuant to a Bankruptcy Retention Order dated May 2001. I am the senior member of the Blackstone team providing these services to Grace.

BLACKSTONE QUALIFICATIONS

2. I have considerable experience with Chapter 11 reorganization and other distressed company circumstances, advising both debtors and creditors. I have been actively involved in the following advisory assignments, among others: ABB Lummus, Altos Hornos de Mexico, America West Airlines, Inc., APS Holding Corporation, Best Products, The Babcock & Wilcox Company, The Caldor Corporation, Combustion Engineering, Dow Corning Corporation, Harvard Industries, The Kendall Company, Lone Star Industries, Phar-Mor Inc., Safety-Kleen Corp., Spreckels Industries and Walter Industries. I have testified as an expert at trial or by deposition in the following matters: ABB Lummus (2006; Pittsburgh PA), The Babcock & Wilcox Company (2005; New Orleans, LA), Combustion Engineering, Inc. (2003; Chicago, IL and 2006; Pittsburgh, PA) and Dow Corning Corporation (1999; New York, NY).

3. I graduated *magna cum laude* and Phi Beta Kappa from Connecticut College and received an MSIA from Carnegie Mellon University.

4. Prior to joining Blackstone in 1991, I worked at Chemical Bank in its Mergers & Acquisitions Group and its Restructuring & Reorganization Group. Prior to joining Chemical Bank, I was a First Vice President in the Corporate Finance Department of E.F. Hutton & Company Inc.

5. In connection with confirmation of the Debtors' First Amended Joint Plan of Reorganization (the "Plan"), I have previously prepared and filed Expert Reports (1) in Rebuttal to the Expert Report of H. Sean Mathis, (2) regarding Feasibility; and (3) in Rebuttal to the Expert Report of Robert J. Frezza.

BEST INTERESTS TEST ANALYSIS


6. Pursuant to section 1129(a)(7) of the Bankruptcy Code, each Holder of an impaired Claim or Equity Interest must either (a) accept the Plan or (b) receive or retain under the Plan property of a value, as of the Effective Date, that is not less than the value such non-accepting Holder would receive or retain if the Debtors were liquidated under chapter 7 of the Bankruptcy Code (often referred to as the "Best Interests Test"). In my opinion, the Plan is in the best interests of all holders of claims in classes impaired by the Plan.

7. I prepared the February 27, 2009 Best Interest Analysis, which is Exhibit 8 to the Disclosure Statement Exhibit Book. It contains the analyses, basis, and reasons for my opinion that the Plan meets the Best Interests Test. I have attached it as Exhibit 1.

8. My opinions and the basis and reasons for my opinions were also expressed at pages 39-46 of the August 7, 2009 Plan Proponents' Main Brief In Support Of Plan Confirmation. Attached as Exhibit 2 are the relevant pages from that Brief.

9. On August 20, 2009 I was deposed extensively on my Best Interests Analysis by counsel for the Libby Claimants. At my deposition, I again explained the basis and reasons for my opinion. Attached as Exhibit 3 are the relevant pages from the deposition.

10. In forming my opinion, I relied on: (1) the First Amended Joint Plan of Reorganization dated February 27, 2009; (2) the Disclosure Statement for the First Amended Joint Plan dated February 27, 2009, and (3) the Amended Exhibit 12 to the Disclosure Statement; (4) Transcript of Proceeding Before the Honorable Judith F. Fitzgerald United States Bankruptcy Court Judge at 137; June 2, 2009; (5) ZAI Claimants' Opposition to Grace's Motion for an Immediate Bar Date, April 10, 2008; (6) Estimation of the Number and Value of Pending and Future Asbestos-Related Personal Injury Claims; W.R. Grace Supplemental Report; Prepared for W.R. Grace by B. Thomas Florence, Ph.D., ARCP, September 25, 2007; and (7) Expert Report of Dr. Mark Peterson in Connection with the Asbestos Injury Estimates Hearing, July 20, 2007.


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